

HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ www.house.gov/budget_democrats

November 23, 2004

2005 Omnibus Appropriations Bill

Dear Democratic Colleague:

On Saturday, November 20, the Congress passed an omnibus bill containing the remaining nine appropriations bills needed to fund government operations for fiscal year 2005, which began on October 1. Republicans rushed the bill to the floor for a same-day vote, ignoring the House rule requiring a three-day review period before voting on conference reports. After the House voted on the bill, careful scrutiny uncovered a deeply objectionable provision — allowing certain Members and staff access to anyone's tax return — which Congress will now have to remove.

This 2005 omnibus appropriations bill provides \$388.4 billion out of the total \$821.9 billion of non-emergency funding passed for 2005. But because Republican budgets have prioritized tax cuts over needed government investments, the bill shortchanges a host of necessary public services. The attached report by the House Budget Committee Democratic staff summarizes some of the funding deficiencies included in the bill — in critical areas including education, health, veterans, law enforcement, housing, and the environment. The report also provides some background on Republican mismanagement of the budget.

For the fourth time in five years, Republicans have made a massive omnibus bill the only option to fund the government for the next year. The bill does contain some important funding for non-defense, non-homeland security programs, providing a down payment on increases for veterans' health care, some education programs, the National Institutes of Health, and other important services. As a result, many Democrats voted in favor of the bill, however reluctantly. Clearly, a bill that more closely reflected the priorities of the American people was possible and far preferable.

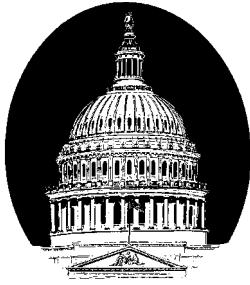
I hope that you find the attached report useful. Please do not hesitate to contact me or the House Budget Committee Democratic staff with any questions.

Sincerely,

/s

John M. Spratt, Jr.

Ranking Democratic Member



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Summary

On Saturday, November 20, the Congress passed an omnibus bill containing the remaining nine appropriations bills needed to fund government operations for fiscal year 2005, which began on October 1. Republicans rushed the bill to the floor for a same-day vote, ignoring the House rule requiring a three-day review period before voting on conference reports. After the House voted on the bill, careful scrutiny uncovered a deeply objectionable provision — allowing certain Members and staff access to anyone's tax return — which Congress will now have to remove.

The omnibus contains \$388.4 billion out of the total \$821.9 billion of non-emergency funding passed for 2005, according to the Appropriations Committee. Congress earlier approved \$433.5 billion in four separate bills to fund the Departments of Defense and Homeland Security, military construction, and the federal contribution to the District of Columbia.

Because Republican budgets have prioritized tax cuts over needed government investments, the 2005 omnibus appropriations bill shortchanges a host of necessary public services, some of which are summarized below. Additionally, instead of making tough decisions about priorities, the bill imposes an across-the-board cut of 0.8 percent on all funding in the bill to comply with the discretionary funding limit in the Republican budget resolution.

For the fourth time in five years, Republicans have made a massive omnibus bill the only option to fund the government for the next year. The bill does contain some important funding for non-defense, non-homeland security programs, providing a down-payment on increases for veterans' health care, some education programs, the National Institutes of Health, and other important services. As a result, many Democrats voted in favor of the bill, however reluctantly. Clearly, a bill that more closely reflected the priorities of the American people was possible and far preferable.

Democrats Offered a Better Plan

Democrats supported an alternative path that would have avoided this difficult funding situation. In 2001, Democrats argued against passing back-loaded tax cuts that could be paid for only by projected future government surpluses — surpluses that never materialized after the Republican tax cuts of 2001 and 2003, after the economy slowed down, and after increased spending for the

global war on terrorism. This year, House Democrats offered a budget alternative that would have reduced the deficit more than the Republican budget in every year, and would have reached surplus within the budget window. It would have matched the Republican spending for defense, and would have provided more for domestic services such as homeland security, veterans' health care, and education. Yet not a single Republican voted for the Democratic budget.

Republican Mismanagement of the Budget

After the House voted on the omnibus appropriations bill, careful scrutiny of the bill uncovered a deeply objectionable provision — allowing certain Members and staff access to anyone's tax return — which Congress will now have to remove. Because Republicans were almost two months behind schedule in approving nine appropriations bills, they had rushed the omnibus bill to the floor on a Saturday afternoon for a same-day vote, putting aside the House rule that requires a three-day review period before voting on conference reports. Republicans also were forced to impose an across-the-board cut of 0.8 percent on all programs in the bill, including high-priority services supported by the Administration and Congress, to stay under the spending limit they had set earlier this year.

Republican mismanagement this year has involved not just the appropriations process but the entire budget process. For the first time in history, Republicans failed to approve a budget resolution when the same party controls both houses of Congress and the White House. They also failed to reinstate the budget enforcement mechanisms — discretionary spending caps and the pay-as-you-go (PAYGO) system for tax cuts and mandatory spending — that were instrumental in making the budget progress work in the 1990s. Meanwhile, rising Republican deficits forced the third debt ceiling increase in three years. But Congressional Republicans chose not to address the debt ceiling in a timely fashion, resulting in the postponement of a scheduled auction of Treasury securities, as well as the suspension of investment of civil service retirement funds.

Debt Limit Soars Under Republican Policies

Fiscal Year	Trillions of Dollars
2001	5.950
2002	6.400
2003	7.384
2004	8.184
2014*	14.545

*HBC Democrats' estimate of amount required under CBO projection of President's policies, 2005-2014

The results of Republican budget mismanagement are stark. The deficit for 2004 is the largest in history — \$413 billion — breaking the previous record of \$375 billion set just last year. The \$5.6 trillion projected ten-year surplus that the Bush Administration inherited has turned into a deficit of over \$3 trillion — a swing of nearly \$9 trillion in the wrong direction. Now, only bold steps will be sufficient to reverse the perilous fiscal course set by recent Republican policies.

As a consequence of Republicans' poor budget choices, the 2005 omnibus appropriations bill cuts funding for many essential government services. Below are some examples of the bill's harmful funding cuts, as well as other areas where the bill provides insufficient funds.

Harmful Cuts in 2005 Omnibus Appropriations Bill

Public Housing Programs Cut — The 2005 omnibus appropriations bill provides \$2.4 billion for the public housing operating fund, which includes one-time savings of \$994 million from

shifting to a calendar-year budget cycle. Adjusting for this timing shift, the operating fund budget is \$147 million below the 2004 enacted level and \$215 million (5.9 percent) below the amount necessary to maintain purchasing power at the 2004 level. The bill also cuts the public housing capital fund for the fourth consecutive year, to \$2.6 billion. This is \$117 million below the 2004 enacted level, and \$414 million below the level provided for 2001. The appropriations bill provides \$979 million for programs providing housing for the elderly and disabled, a reduction of \$45 million from the 2004 level. Other major programs facing funding cuts for 2005 include homeless assistance grants (\$19 million below the 2004 level), the HOME investment partnership program (\$106 million below the 2004 level), and Native American housing block grants (\$28 million below the 2004 level).

National Science Foundation (NSF) Cut — The omnibus provides \$5.5 billion for NSF, a cut of \$272 million (4.7 percent) below the President’s requested level and of \$105 million (1.9 percent) below the 2004 level. Compared with 2004 levels, the bill cuts funding for science education by \$98 million (10.4 percent) and cuts funding for research by \$31 million.

COPS Program Pinched — Community Oriented Policing Services (COPS) provides grants and other assistance to help communities hire, train, and retain police officers and improve law enforcement technologies. The omnibus appropriations bill provides \$602 million for the COPS program, \$140 million (18.9 percent) below the 2004 enacted level.

National Health Service Corps Cut — The bill cuts the National Health Service Corps (NHSC) below the President’s 2005 request, and the House- and Senate-passed bills. The \$132 million for the NHSC is a \$38 million (22.6 percent) cut from the 2004 level. The bulk of the cut falls on the recruitment program, which awards scholarships and loan repayment agreements to health professions students and fully trained clinicians committed to working in under-served communities.

EPA Funding Cut — The omnibus cuts funding for the Environmental Protection Agency (EPA) to \$8.0 billion, representing a \$342 million (4.1 percent) cut from the 2004 enacted level and a \$552 million (6.4 percent) cut below the level needed to maintain current services. The cuts are spread across programs including pollution prevention research (cut \$38 million), and Leaking Underground Storage Tank funding (cut to \$69 million, or 8.1 percent below the 2004 enacted level).

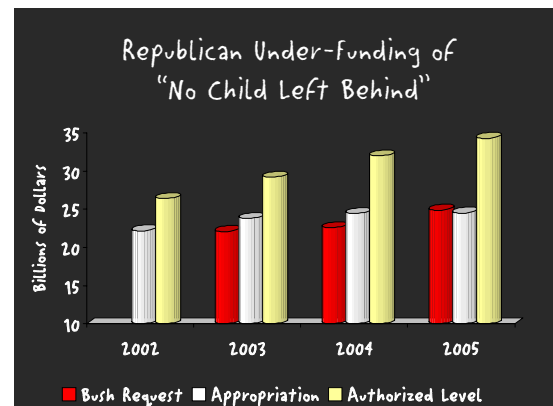
- **Drastic Cut in Aid for Wastewater Infrastructure** — For 2005, the bill cuts the Clean Water State Revolving Fund to \$1.1 billion, a cut of \$251 million (18.7 percent) below the 2004 enacted level.
- **Superfund “Polluter Pays” Principle Abandoned, Then Funding Is Cut** — The appropriations bill abandons the “polluter pays” principle regarding clean-up of the nation’s most toxic sites and forces taxpayers to foot the entire bill. Even more worrisome, the Superfund program is cut by \$10 million from the 2004 enacted level, to \$1.2 billion. This comes at a time when 501 of the 1,349 non-federal Superfund sites await clean-up, and nearly 70 million Americans live within four miles of a Superfund site. In addition, the EPA Inspector General has identified a funding shortfall of at least \$175 million in the Superfund program, slowing the pace of cleanup at 29 sites in 17 states.

Amtrak Trimmed — For 2005, the omnibus appropriations bill provides \$1.2 billion for Amtrak, an \$11 million decrease from the 2004 enacted level. This funding is approximately \$300 million below what Amtrak stated is required to institute much-needed changes and return the system to a state of good repair. In addition to that need, over the next five years, Amtrak will be required to begin repaying its \$100 million loan from 2002.

Programs Cut Below President's Request

Department of Education — The 2005 omnibus appropriations bill provides \$762 million less than the President requested for the Department of Education, increasing funding by only 1.6 percent (\$914 million) above the 2004 enacted level. The bill freezes or cuts funding for many key education programs such as the Even Start family literacy program (cut \$22 million), Perkins Loans (cut \$99 million), and the maximum Pell Grant award (frozen for the third straight year at \$4,050).

- **“No Child Left Behind” Funding Frozen** — The bill virtually freezes funding for education programs authorized by the No Child Left Behind Act, providing a scant 0.2 percent (\$58 million) increase over the 2004 level, \$390 million less than the President requested, and a significant \$9.8 billion less than the total authorized for 2005. The \$24.5 billion in the bill for these programs encompasses a \$397 million increase for Title I — far less than the \$1 billion promised in the President's budget — offset by cuts to many other programs, including school reform (cut \$102 million below the 2004 enacted level), the education technology state grant (cut \$196 million), and funding for high schools to create smaller learning communities (cut \$79 million).



- **Special Education at Less than Half of “Full Funding”** — For 2005, funding for special education Part B state grants would increase by \$522 million, to \$10.6 billion, which provides only 19.0 percent of the national average per pupil expenditure, still less than half the 40 percent “full funding” federal contribution ceiling authorized for state grants by the Individuals with Disabilities Education Act. The President had requested a \$1.0 billion increase.

Millennium Challenge Corporation (MCC) — The omnibus includes \$1.5 billion for this Bush Administration initiative for 2005, \$1.0 billion (40.5 percent) less than the \$2.5 billion requested by the President and \$494 million more than the 2004 level. Funds from the MCC are made available competitively to certain countries with low and moderate per capita incomes, based on their performance in areas such as good governance, investment in people, and economic policy. The Administration has indicated its intention to request MCC levels adequate to provide \$5 billion in annual assistance by 2006.

National Institutes of Health (NIH) — The bill provides NIH's lowest increase in years. The bill provides \$28.5 billion for NIH, an increase of 2.1 percent over 2004 (\$573 million). This amount is \$156 million less than in the President's 2005 request.

Department of Interior Funding Frozen — Department of Interior funding is \$10.8 billion in 2005, an increase of 0.2 percent (\$17 million) over the 2004 enacted level, but \$345 million below the level required to maintain current services. Despite the small nominal-dollar increase, many programs are still cut.

- ***Reneges on Promised Conservation Funding*** — The 2005 omnibus appropriations bill cuts funding for pressing conservation, recreation, and wildlife needs by nearly \$8 million from the 2004 enacted level, to \$256 million. This amount represents less than 30 percent of the \$900 million the Land and Water Conservation Fund accumulates annually for the intended purposes of preserving parks, forests, wildlife refuges, and open space.
- ***Shortfall in Hazardous Fuels Reduction Funding*** — The bill provides slightly less than the President requested and does not fully fund the Healthy Forests Initiative, which reduces the loss of life and property from wildfires. The bill provides only \$464 million of the \$760 million authorized for hazardous fuels reduction for 2005.

Inadequate Funding for Key Services

Purchasing Power of Child Care Funding Declines for Third Straight Year — The omnibus appropriations bill provides \$2.1 billion for the Child Care and Development Block Grant, which is a freeze at the 2004 funding level. This represents a cut of \$44 million below the amount that the Congressional Budget Office (CBO) estimates is necessary to maintain purchasing power at the 2004 level. Congress has essentially frozen funding for this program since 2002, which means that the decline in purchasing power projected for 2005 is just the latest in a series of budget decisions that have clamped down on child-care services for low-income working families. Since 2002, the purchasing power of the Child Care and Development Block Grant has declined by \$146 million, or 6.5 percent.

Omnibus Undermines Housing Vouchers for Low-Income Families — The 2005 omnibus appropriations bill provides \$14.8 billion for tenant-based housing vouchers and \$5.3 billion for project-based rental assistance. The combined total is \$807 million above the 2004 enacted level but \$792 million short of the amount CBO estimates is necessary to maintain purchasing power in these programs. Moreover, the bill continues a formula established in 2004 for allocating funding among public housing authorities that does not account for all of the factors that influence voucher costs at the local level. This framework contributed to a decline of roughly 60,000 in the number of families who were able to use vouchers in 2004.

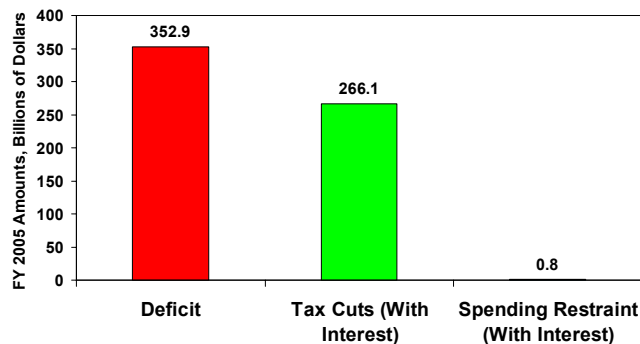
Veterans' Health Care Funding Insufficient — Veterans' health care will receive \$28.8 billion for 2005, which is \$1.5 billion short of the amount the House Committee on Veterans' Affairs recommended — on a bipartisan basis — to meet current needs, and is \$1.0 billion over the President's request for this subcategory of veterans' funding. With this level of funding, it will be difficult for the Department of Veterans Affairs (VA) to meet the health care requirements of its current enrollees and the troops returning from Iraq and Afghanistan who will be depending on VA services.

Tax Cuts Dwarf Savings from Cutting Appropriations

The spending restraint in the omnibus appropriations bill pales relative to both the size of the problem — the deficit — and the size of its major cause — the tax cuts.

Democrats have pointed out from the submission of the President's 2005 budget that the Republicans' focus on cutting annual non-defense, non-homeland security appropriations could not significantly reduce the enormous deficits. These appropriations comprise only about one-sixth of the budget, and they have grown at less than the rate of inflation since 2002. In fact, if those appropriations had been eliminated entirely in 2004, it would not have wiped out the deficit.

Spending Restraint Overwhelmed by Tax Cuts



If the President had gotten everything he wanted in the 2005 appropriations process, he would have cut 2005 outlays by \$0.8 billion (with interest) relative to the CBO baseline. But CBO projects that the 2005 deficit (with a moderate estimate of the future costs of the global war on terror, and with the costs of the President's tax proposals) would be \$352.9 billion. Against the only \$0.8 billion of savings from restraint on appropriations, the Republican tax cuts, with interest, cost the budget \$266.1 billion in 2005.

In later years, the comparison becomes even more stark. In 2009, the last year covered in the President's 2005 budget, his proposed spending restraint (with accumulated interest) would save only \$3.7 billion, whereas the projected deficit is a much larger \$339.3 billion, and the tax cuts (including those enacted and explicitly proposed, plus a repair of the growing problem in the individual alternative minimum tax, or AMT) cost an even larger \$371.2 billion.

In sum, the Republicans' hope for deficit reduction through restraint on spending in one small part of the budget cannot overcome the facts. All of the President's requests for appropriations restraint, with consequent interest savings, would not make a big dent in the deficit. Meanwhile, the accumulated costs of the Administration's five major tax cuts have mounted and, with the costs of the President's remaining tax proposals plus the necessary repair to the AMT, will soon exceed the size of the deficit. The President has spent trillions of dollars on tax cuts, and has not yet identified anywhere near an offsetting equivalent sum in non-defense, non-homeland security annual appropriations.

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